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UNITED STATES GOVERNMENT

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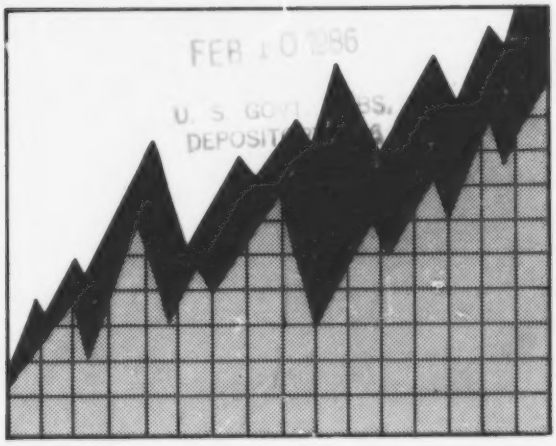

ANNUAL 1985 REPORT

COMPILED BY THE

FINANCIAL MANAGEMENT SERVICE

U.S. DEPARTMENT OF THE TREASURY

T.1/3:

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Preface

Treasury Profile

The Treasury Department was created by an act of Congress approved on September 2, 1789, 31 U.S.C. 301. Many subsequent acts have influenced the development of the Department, delegating new duties and establishing numerous bureaus and divisions which now compose the Department. Today, the Treasury's mission can be categorized into four basic functions: formulating and recommending economic, financial, tax and fiscal policies; serving as financial agent for the U.S. Government; enforcing the law; and manufacturing coins and currency.

Financial Management Service

The Financial Management Service of the Department of the Treasury performs a critical role in fulfilling the Treasury's mission as financial agent of the Government. Financial Management Service promotes the financial integrity of the Government through sound money management on behalf of the public. The Financial Management Service is responsible for the Government's delivery systems for payments and collections, the central accounting and reporting systems, the Government's cash management programs and various other financial services.

In its role as financial agent for the Government, the Financial Management Service publishes this Annual Report of the U.S. Government. This report presents an overview of the Government's cash basis financial position and results of operations. It summarizes selected data that are maintained in the central accounts based on data provided by Federal entities, disbursing officers and Federal Reserve banks. Details supporting the information presented in this report are contained in the Annual Report Appendix which is available from Financial Management Service's Financial Reporting Division. An order form for the Appendix is provided as the last page of this publication.

Legislative Requirement

The requirements for the preparation of a report on the receipts and outlays of the Government originated with Article I, Section 9 of the Constitution of the United States. It provides in part that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law, *and a regular Statement and Account of the Receipts and Expenditures of all public money shall be published from time to time.*" (*Emphasis* provided). This requirement was followed by a standing order of the House of Representatives, dated December 31, 1791, which required an annual report on receipts and outlays of the Government. This requirement was superseded by the following:

- 31 U.S.C. 331(c) provides, "On the first day of each regular session of Congress, the Secretary shall submit to Congress a report for the prior fiscal year on the total amount of public receipts and public expenditures listing receipts, when practicable, by ports, districts, and States and the expenditures by each appropriation."

- 31 U.S.C. 3513(a) provides, "The Secretary of the Treasury shall prepare reports that will inform the President, the Congress, and the public on the financial operations of the United States Government."

This Annual Report is recognized as the official publication of receipts and outlays with which all other reports containing similar data must be in agreement. It is used by the Congressional Budget Office in serving the needs of Congress; the Office of Management and Budget in reviewing the President's Budget programs; the General Accounting Office in performing its audit activities; the various departments and agencies of the Government in reconciling their accounts; and the general public in continually reviewing the operations of their Government. Other reports prepared by the Department of the Treasury that contain related information include: The Daily Treasury Statement; Monthly Treasury Statement of Receipts and Outlays of the United States Government; and the Treasury Bulletin.

SECRETARY'S LETTER

THE SECRETARY OF THE TREASURY
WASHINGTON 20220

December 20, 1985

To: The President of the Senate
Speaker of the House of Representatives
Citizens of the United States of America

In accordance with the provisions of Section 15 of the Act of July 31, 1894 (31 U.S.C. 331(c)) and Section 114 of the Act of September 12, 1950 (31 U.S.C. 3513), I am transmitting herewith the Annual Report of the United States Government for the Fiscal Year Ended September 30, 1985.

Significant financial results for the year include total budget receipts of $734 billion, total budget outlays of $936.8 billion and an on-budget deficit of $202.8 billion. Total outlays for the year were $945.9 billion and the total deficit amounted to $211.9 billion, an increase of $26.6 billion from the total deficit for fiscal year 1984.

Sincerely,

James A. Baker, III

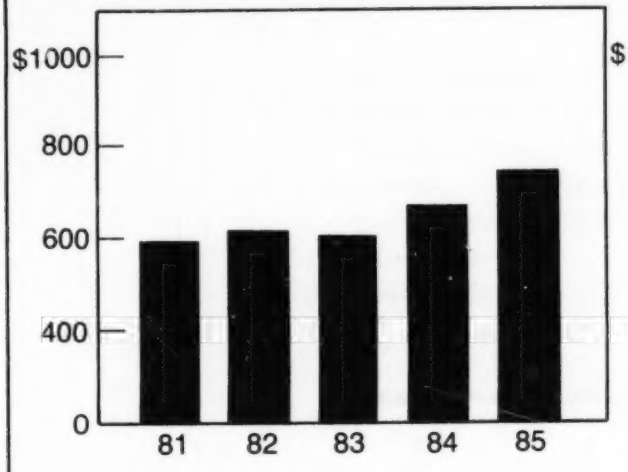
Financial Highlights

Financial Highlights

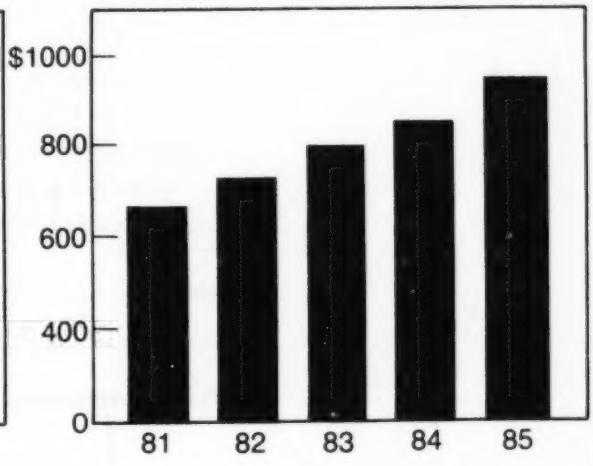
(in Billions)

	FY 1985	FY 1984	PERCENTAGE CHANGE
Total Budget Receipts	$733.9	$666.5	10.1%
Total Budget Outlays	936.8	841.8	11.3
Total Outlays	945.9	851.8	11.0
Total On-Budget Deficit	202.8	175.3	15.7
Total Deficit	211.9	185.3	14.4
Total Assets	55.2	66.6	−17.1
Total Borrowing From The Public	1,509.9	1,312.6	+15.0
Excess of Liabilities Over Assets	$1,512.6	$1,301.2	+16.2%

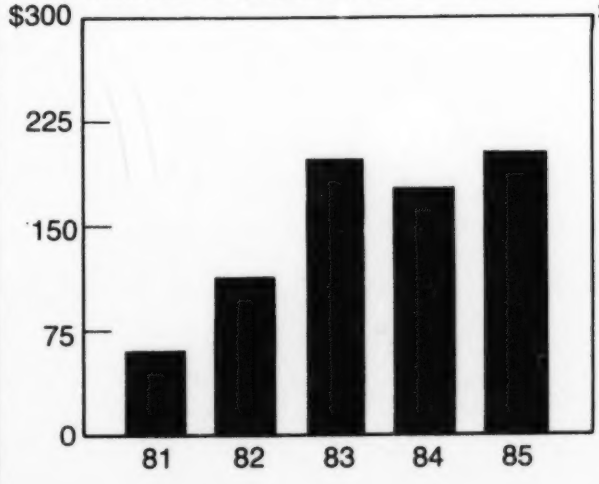
TOTAL BUDGET RECEIPTS



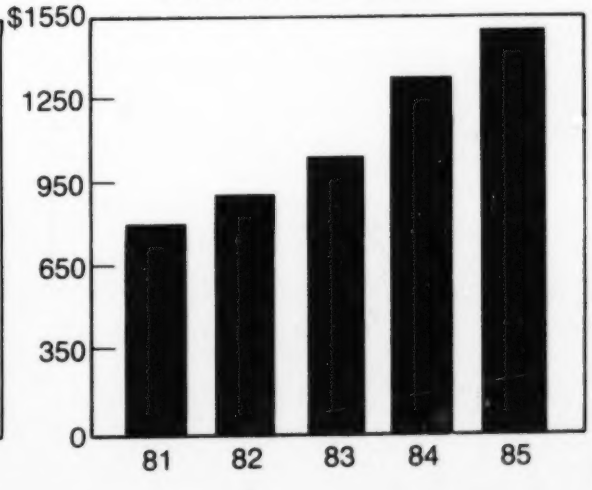
TOTAL BUDGET OUTLAYS



TOTAL ON-BUDGET DEFICIT



TOTAL BORROWING FROM THE PUBLIC

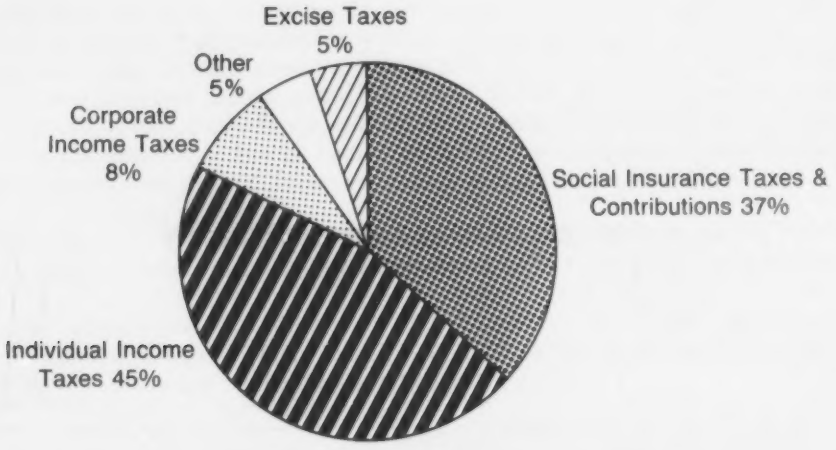


Financial Review

- Budget Receipts by Source Category
- Budget Outlays by Function
- Trust Fund Receipt and Outlay Summary
- Revolving Fund Activity by Department
- Appropriations, Outlays, and Balances by Department
- Five-Year Summary of Financial Highlights

Budget Receipts by Source Category

Total budget receipts amounted to $734.0 billion in FY 1985, an increase of $67.5 billion from FY 1984. The percentage distribution of 1985 budget receipts by source category is graphically depicted below.



Major changes in the amount of receipts by source category are described below. The table which follows shows the amount of budget receipts for FY 1985 and FY 1984 by source category, and the amount and percentage change from FY 1984.

- Individual Income Taxes—Individual income taxes were $330.9 billion in FY 1985, an increase of $35 billion.

- Corporation Income Taxes—Corporation income taxes increased $4.4 billion from FY 1984 to FY 1985.

- Social Insurance Taxes and Contributions—Receipts from the three major forms of social insurance taxes and contributions increased from $242 billion in FY 1984 to $269 billion in FY 1985, an increase of $27 billion, or 11.1%.

  — Employment Taxes and Contributions—Receipts from this source totaled $238.3 billion, a change of $26.1 billion, or 12.3%, over the prior year.

  — Unemployment Insurance—Unemployment insurance receipts were $25.8 billion in FY 1985, an increase over FY 1984 of $0.6 billion, or 2.5%.

  — Other Retirement Contributions—Receipts in this category increased by $0.2 billion to a total $4.8 billion in FY 1985.

- Excise Taxes—Receipts of excise taxes in FY 1985 were $35.9 billion, a decrease of $1.5 billion from the prior year.

- The Other Receipts category consisting of Estate and Gift Taxes, Customs Duties, and Miscellaneous Receipts increased from $34 billion in FY 1984 to $37 billion in FY 1985. A discussion of the level of receipts for each of the components of this category are presented below.

  — Estate and Gift Taxes—Receipts in the estate and gift category increased by $0.4 billion in FY 1985 to $6.4 billion.

  — Customs Duties—Customs duties increased by $0.7 billion in FY 1985 to $12.1 billion.

  — Miscellaneous Receipts—These receipts totaled $18.6 billion in FY 1985, an increase of $1.6 billion over the FY 1984 level.

BUDGET RECEIPTS BY SOURCE CATEGORY
(IN MILLIONS)

	FY 1985	FY 1984	CHANGE FROM 1984	PERCENTAGE CHANGE
Individual Income Taxes	$330,918	$295,955	$34,963	11.8%
Corporate Income Taxes	61,331	56,893	4,438	7.8
Total Income Taxes	392,249	352,848	39,401	11.2
Social Insurance Taxes and Contributions:				
Employment Taxes and Contributions	238,288	212,184	26,104	12.3
Unemployment Insurance	25,758	25,138	620	2.5
Other Retirement Contributions	4,759	4,580	179	3.9
Total Social Insurance Taxes and Contributions	268,805	241,902	26,903	11.1
Excise Taxes	35,865	37,361	(1,496)	(4.0)
Other				
Estate and Gift Taxes	6,422	6,010	412	6.9
Customs Duties	12,079	11,370	709	6.2
Miscellaneous Receipts	18,576	16,965	1,611	9.5
Total Other	37,077	34,345	2,732	8.0
Total Budget Receipts	$733,996	$666,457	$67,539	10.1%

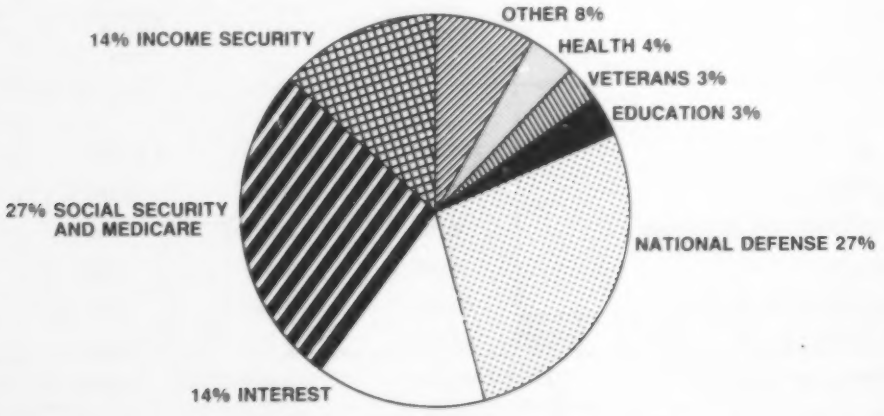
Details may not add to totals due to rounding.

Budget Outlays by Function

Budget outlays are liquidations of the Government's obligations through the issuance of checks or disbursement of cash. Total budget outlays were $936.8 billion in FY 1985, an increase of $95 billion or 11.3% over the amount of the preceding fiscal year. Shown below is the percentage distribution of FY 1985 budget outlays among the seven largest categories included in the government's functional classification system. The functional classification system is a way of grouping the government's activities so that all budget authority and outlays of budget and off budget Federal Entities, loan guarantees, and tax expenditures can be presented according to the national needs being addressed. National needs are grouped in 17 broad areas to provide a coherent and comprehensive basis for analyzing and understanding the budget. Three additional categories—Interest, Allowances and Undistributed Offsetting Receipts—do not address specific national needs but are included to cover the entire budget. Under the functional classification system, each outlay is assigned to a classification that best defines its most important purpose, even though many outlays serve more than one purpose.

Total budget outlays in FY 1985 were $936.8 billion compared with $841.8 billion in FY 1984. The percentage distribution of outlays among the seven largest functional classifications is shown graphically below.

The table that follows shows FY 1985 and FY 1984 budget outlays for each functional classification and the amount and percentage change in outlay levels between these two fiscal years. Changes in outlays for the largest functional classifications are briefly discussed below.



The table that follows shows FY 1985 and FY 1984 budget outlays for each functional classification and the amount and percentage change in outlay levels between these two fiscal years. Changes in outlays for the largest functional classifications are briefly discussed below.

- National Defense—This function includes those activities that are directly related to the defense and security of the United States. To meet the need for strengthening the nation's military capabilities, FY 1985 National Defense outlays increased by $24 billion to $251.5 billion. This amount encompasses government spending for conventional forces, strategic forces, supporting activities and atomic energy defense and related activities.

- Education, Training Employment and Social Services—A number of federal programs are directed toward improving the operations of the labor market, enhancing individuals' long-term employment and earnings prospects and providing social services to needy individuals. Outlays for these programs increased by 6.5% to $28.4 billion in FY 1985.

- Health—The Federal Government helps to meet the nation's health care needs by financing and providing health care services, aiding disease prevention and supporting research and training. Outlays for this function were $33.6 billion in FY 1985, an increase of $3.1 million over the prior fiscal year.

- Social Security and Medicare—Through social security and medicare the Federal Government contributes to the income security and health of aged and disabled Americans. This function's outlays were $254.4 billion for FY 1985, an increase of 7.9% or $18.7 billion over the FY 1984 outlays.

- Income Security—Income security benefits are paid to the aged, the disabled, the unemployed and low income families. Outlays for these benefits were $129.0 billion in FY 1985, an increase of 13.9% or $15.8 billion over the FY 1984 level. Included within this classification are programs such as general retirement and disability, public assistance and unemployment compensation.

- Veterans Benefits—Benefits and services provided to veterans meet the Nation's obligation to veterans for military services. Outlays for this function were $26.4 billion in FY 1985, an increase of $740 million over the prior fiscal year. Programs included within this function for veterans are income security; education, training, and rehabilitation; hospital and medical care; and veterans housing.

- Interest—This function includes interest paid by the Federal Government, offset by interest collections from the public and interest received by Government Trust Funds. Net interest outlays are very sensitive to both interest rates and the amount of debt outstanding. Net interest outlays increased in FY 1985 to $129.1 billion, a 16.3% increase over the prior fiscal year.

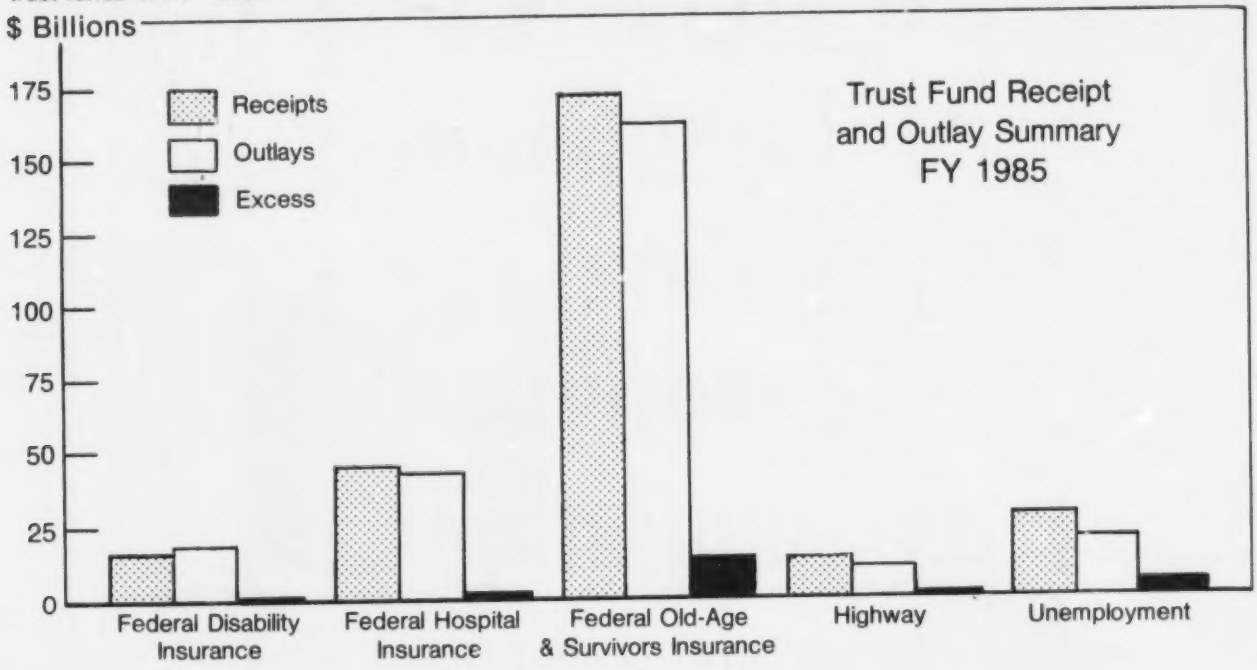
BUDGET OUTLAYS BY FUNCTION

(in millions)

	FY 1985	FY 1984	CHANGE FROM 1984	PERCENTAGE CHANGE
National Defense	$ 251,468	$ 227,437	$ 24,031	10.6%
International Affairs	15,426	13,231	2,195	16.6
General Science Space and Technology	8,700	8,270	430	5.2
Energy	3,906	2,467	1,439	58.3
Natural Resources and Environment	13,298	12,683	615	4.8
Agriculture	22,780	12,146	10,634	87.6
Commerce Housing and Credit	1,817	5,204	(3,387)	(65.1)
Transportation	25,874	24,620	1,254	5.1
Community and Regional Development	7,748	7,803	(55)	(.7)
Education, Training Employment and Social Services	28,352	26,632	1,720	6.5
Health	33,560	30,433	3,127	10.3
Social Security and Medicare	254,446	235,764	18,682	7.9
Income Security	128,993	113,202	15,791	13.9
Veterans Benefits	26,376	25,636	740	2.9
Administration of Justice	6,188	5,619	569	10.1
General Government	5,483	5,026	457	9.1
General Purpose Fiscal Assistance	6,140	6,577	(437)	(6.6)
Interest	129,148	111,007	18,141	16.3
Undistributed Offsetting Receipts	(32,893)	(31,957)	(936)	2.9
Totals Budget Outlays	$ 936,809	$ 841,800	$ 95,009	11.3

Trust Fund Receipt and Outlay Summary

Trust fund accounts are maintained to record the receipt and outlay of moneys held in trust by the Government for use in carrying out specific purposes or programs in accordance with the terms of a trust agreement or statute. This section summarizes how trust fund operations contribute to the overall level of receipts and outlays of the Federal Government. This section also demonstrates the variety of trust funds and their operations. Some trust funds such as the Federal Hospital Insurance Fund, Federal Old Age & Survivors Insurance Fund and Unemployment Fund accumulated sizable excess receipts in FY 1985, while others such as the Federal Disability Insurance Fund accumulated excess outlays. The chart presented below summarizes the operations of the major trust funds in FY 1985.



The table on the following page summarizes trust fund operations for FY 1985 and FY 1984 and the dollar change between these two fiscal years. Presented below is a description of the receipt and outlay levels of the major trust funds for FY 1985.

- Federal Disability Insurance—In FY 1985, the receipts of the Federal Disability Insurance Fund were $16.6 billion. The fund's outlays were $17.8 billion for an excess of outlays over receipts of $1.3 billion.
- Federal Hospital Insurance—The FY 1985 Federal Hospital Insurance Fund receipts were $44.9 billion while outlays totalled $42.6 for an excess of receipts over outlays of $2.3 billion.
- Federal Old Age & Survivors Insurance—In FY 1985, outlays in this fund were $160.0 billion and receipts were $173.0 billion. The excess of receipts over outlays amounted to $13.0 billion.
- Highway—In FY 1985, the Highway Trust Fund accumulated $13.0 billion in receipts and $11.3 billion in outlays for an excess of receipts over outlays of $1.7 billion.
- Unemployment—The FY 1985 receipts of the Unemployment Trust Fund were $25.8 billion and outlays were $20.9 billion for an excess of receipts over outlays of $4.9 billion.

TRUST FUND RECEIPT AND OUTLAY SUMMARY
(IN MILLIONS)

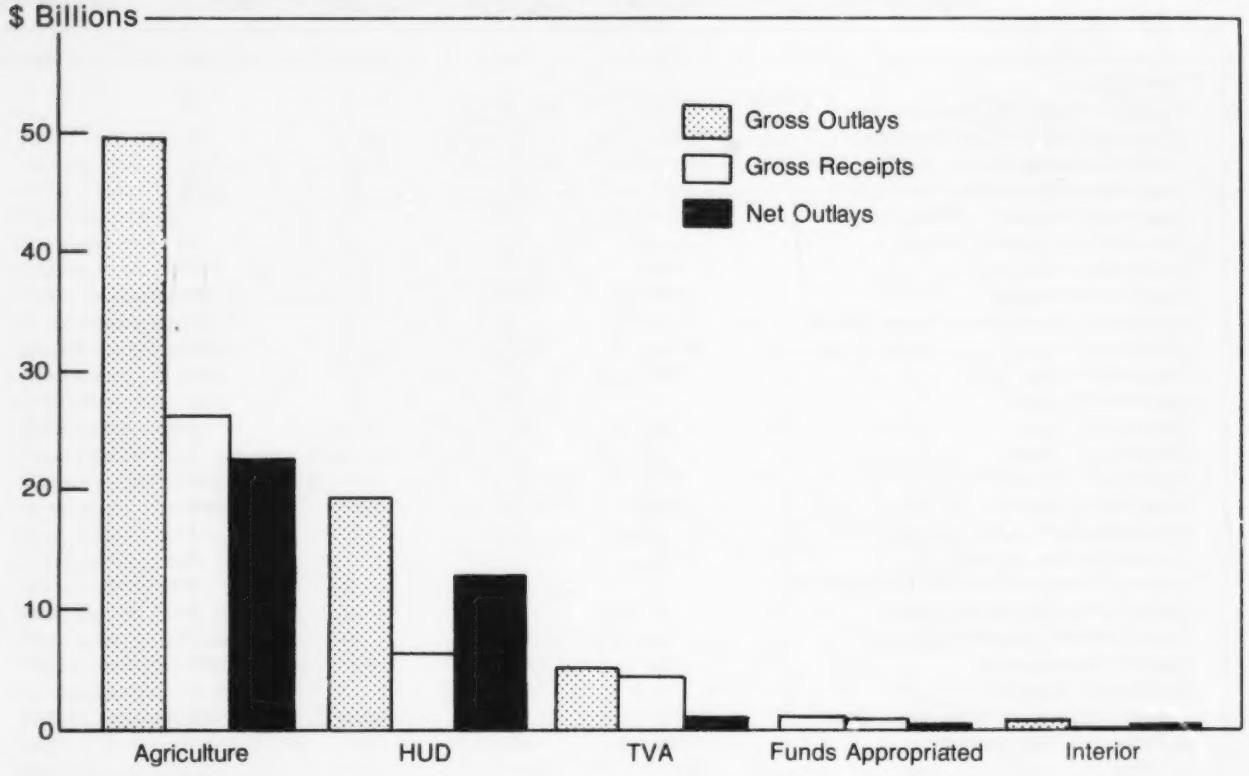
TRUST FUND	FY 1985 RECEIPTS	FY 1985 OUTLAYS	FY 1985 EXCESS	FY 1984 RECEIPTS	FY 1984 OUTLAYS	FY 1984 EXCESS	CHANGE RECEIPTS	CHANGE OUTLAYS	CHANGE EXCESS
Airport and Airway	$2,851	$1,840	$1,012	$2,499	$819	$1,680	$352	$1,021	$(668)
Black Lung Disability	581	562	19	518	519	(**)	63	43	19
Federal Deposit Insurance Corporation	—	(1,942)	1,942	—	(248)	248	—	(1,694)	1,694
Federal Disability Insurance	16,566	17,834	(1,267)	15,907	16,532	(625)	659	1,302	(642)
Federal Employees Life and Health Benefits	—	(939)	939	—	(754)	754	—	(185)	185
Federal Employees Retirement	4,789	(12,847)	17,636	4,609	(10,076)	14,685	180	(2,771)	2,951
Federal Hospital Insurance	44,871	42,610	2,261	40,262	36,825	3,437	4,609	5,785	(1,176)
Federal Old-Age and Survivors Insurance	172,973	159,989	12,983	152,444	149,131	3,313	20,529	10,858	9,670
Federal Supplementary Medical Insurance	(**)	(1,846)	1,846	—	(2,151)	2,151	(**)	305	(305)
General Revenue Sharing	4,567	4,584	(17)	4,567	4,567	(**)	—	17	(17)
Highway	13,015	11,310	1,705	11,743	9,264	2,478	1,272	2,046	(773)
Military Assistance Advances	—	143	(143)	—	(300)	300	—	443	(443)
Railroad Retirement	3,944	5,891	(1,947)	3,572	5,563	(1,991)	372	328	44
Military Retirement	—	(11,637)	11,637	—	—	—	—	(11,637)	11,637
Unemployment	25,758	20,881	4,877	25,138	21,334	3,804	620	(453)	1,073
Veterans Life Insurance	—	(392)	392	—	(356)	356	—	(36)	36
All Other Trust	592	926	(334)	436	460	(24)	156	466	(310)
Total Trust Fund Receipts and Outlays	$290,507	$236,967	$53,540	$261,694	$231,129	$30,565	$28,813	$5,838	$22,975
Total Federal Government Receipts and Outlays	$733,996	$936,809	$(202,813)	$666,457	$841,800	$(175,342)	$67,539	$95,009	$(27,471)

Details may not add to totals due to rounding.

**Less than $500,000

Revolving Fund Activity by Department

Public enterprise revolving funds are authorized by specific provisions of law to finance a continuing cycle of operations in which outlays generate receipts and the receipts are available for outlays without further action by the Congress. The following chart summarizes FY 1985 receipt and outlay activity for the departments of the Government that have the most sizable revolving fund operations.



The table on the following page presents revolving fund activity by department for FY 1985. Summarized below are the receipt and outlay levels of those departments with the most sizable revolving fund operations.

- Department of Agriculture—FY 1985 gross outlays of revolving funds operated by Agriculture totalled $49.5 billion and gross receipts totalled $26.0 billion. The net outlays were $23.6 billion.

- Department of Housing and Urban Development—In FY 1985, the gross outlays of revolving funds of this Department totalled $19.2 billion while gross receipts were $6.4 billion. Net revolving fund outlays in FY 1985 were $12.8 billion.

- Tennessee Valley Authority—In FY 1985, revolving funds of the Tennessee Valley Authority generated $5.6 billion in gross outlays, $4.7 billion in gross receipts and net outlays of $0.9 billion.

- Funds Appropriated—The net outlays of revolving funds maintained by the Funds Appropriated amounted to $0.3 billion in FY 1985. This consisted of $0.9 billion in gross outlays and $0.6 billion in gross receipts.

- Interior—FY 1985 gross outlays of revolving funds operated by the Interior totalled $0.4 billion and gross receipts totalled $0.1 billion. The net revolving fund outlays were $0.3 billion.

REVOLVING FUND ACTIVITY BY DEPARTMENT

(IN MILLIONS)

	FY 1985 GROSS OUTLAYS	FY 1985 GROSS RECEIPTS	FY 1985 NET OUTLAYS	FY 1984 NET OUTLAYS	DIFFERENCE
Legislative Branch	$15	$16	**	$1	$(1)
The Judiciary	0	0	0	0	0
Executive Office of the President	0	0	0	0	0
Funds Appropriated to the President	871	603	$267	24	243
Department of Agriculture	49,476	25,831	23,645	13,149	10,496
Department of Commerce	167	105	62	(63)	125
Department of Defense—Military	5	3	2	**	2
Department of Defense—Civil	0	0	0	0	0
Department of Education	115	279	(164)	(239)	75
Department of Energy	1,155	1,486	(331)	(229)	(102)
Department of Health and Human Services	24	9	15	32	(17)
Department of Housing and Urban Development	19,239	6,400	12,839	2,003	10,836
Department of the Interior	374	118	256	243	13
Department of Justice	**	0	**	**	0
Department of Labor	192	211	(19)	(10)	(9)
Department of State	0	0	0	0	0
Department of Transportation	513	271	242	66	176
Department of the Treasury	(554)	3	(557)	(246)	(311)
Environmental Protection Agency	1	1	**	**	0
General Services Administration	**	**	**	(1)	1
National Aeronautics and Space Administration	0	0	0	0	0
Office of Personnel Management	0	0	0	0	0
Small Business Administration	1,719	1,704	15	(3)	18
Veterans Administration	2,085	1,876	209	276	(67)
Independent Agencies:					
Export-Import Bank of the United States	3,790	4,174	(384)	1,068	(1,452)
Tennessee Valley Authority	5,603	4,688	914	351	563
Others	4,626	5,167	(541)	(212)	(329)
Total Revolving Fund Receipts and Outlays	$89,416	$52,945	$36,471	$16,210	$20,261

Details may not add to totals due to rounding.

**Less than $500,000

Appropriations, Outlays and Balances by Department

The following table summarizes the FY 1985 appropriations, outlays and balances for each major department of the Federal Government.

APPROPRIATIONS, OUTLAYS AND BALANCES BY DEPARTMENT
(IN MILLIONS)

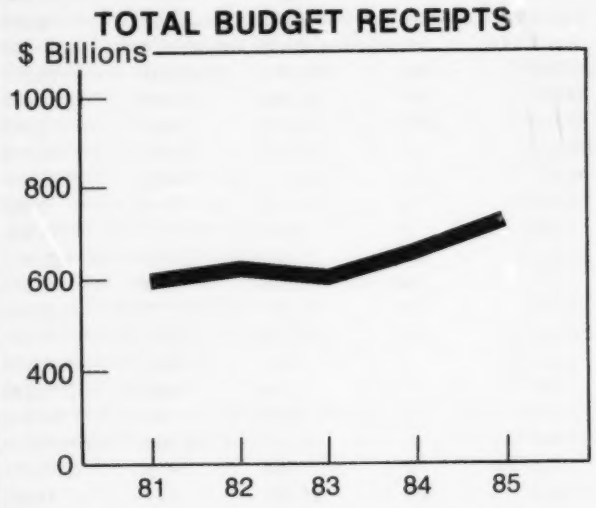
	Unobligated Balances Beginning of Fiscal Year	Appropriation and Other Obligational Authority	Transfers Borrowings and Investments	Outlays	Balances Withdrawn and Other Transactions	Unobligated Balances End of Fiscal Year
Legislative Branch	$386	$1,704	0	$1,610	$146	$404
The Judiciary	97	1,055	0	966	88	145
Executive Office of the President	**	143	0	111	31	27
Funds Appropriated to the President	26,960	18,917	-$13	11,277	7,627	27,250
Department of Agriculture	3,436	63,545	-17,349	49,596	-3,400	3,522
Department of Commerce	379	2,411	6	2,140	277	492
Department of Defense	52,273	315,610	-80	262,897	52,633	72,274
Department of Education	1,239	19,077	-187	16,682	2,208	1,993
Department of Energy	2,321	10,784	965	10,186	1,563	3,188
Department of Health and Human Services	46,572	332,233	0	315,553	16,680	61,776
Department of Housing and Urban Development	11,858	32,862	-213	28,671	3,978	58,427
Department of the Interior	1,793	5,038	8	4,828	218	2,037
Department of Justice	328	3,845	0	3,518	327	465
Department of Labor	18,373	27,635	23	23,893	3,765	21,514
Department of State	2,244	3,575	13	2,645	942	3,013
Department of Transportation	28,762	28,757	63	25,087	3,733	29,928
Department of the Treasury	19,747	159,523	-23	165,043	-5,542	12,863
Environmental Protection Agency	1,008	4,150	0	4,511	-361	1,206
General Services Administration	931	335	0	-214	549	1,244
National Aeronautics and Space Administration	1,001	7,573	0	7,318	255	913
Office of Personnel Management	122,976	41,606	0	23,727	17,880	147,000
Small Business Administration	1,417	729	-2	283	444	1,774
Veterans Administration	13,266	27,298	-25	26,333	941	14003
Independent Agencies	24,890	13,982	-1,271	9,121	3,591	21,438
Total Appropriations, Outlays and Balances	$382,257	$1,122,386	-$18,084	$995,782	$108,572	$486,899

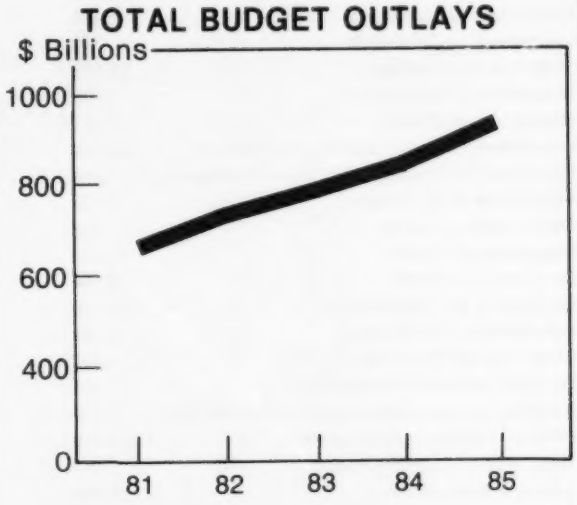
Details may not add to totals due to rounding.
**Less than $500,000

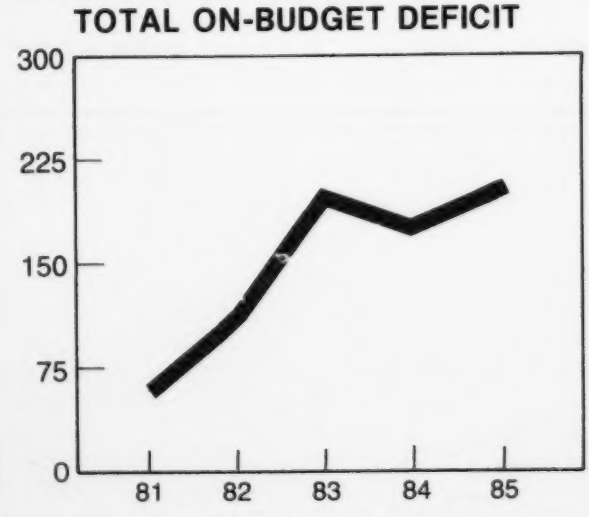
Five-Year Summary of Financial Highlights

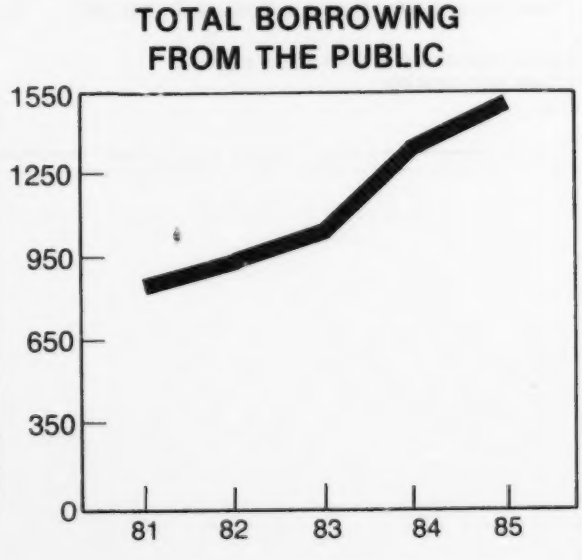
(In Millions)

	FY 1985	FY 1984	FY 1983	FY 1982	FY 1981
Total Budget Receipts	$ 733,996	$666,457	$ 600,562	$ 617,766	$ 599,272
Total Budget Outlays	936,809	841,800	795,916	728,424	657,204
Total Outlays	945,927	851,796	808,274	745,755	678,209
Total On-Budget Deficit	202,813	175,342	195,354	110,658	57,932
Total Deficit	211,931	185,339	207,711	127,989	78,936
Total Assets	55,204	66,600	70,760	57,778	44,783
Total Borrowing from the Public	1,509,857	1,312,589	1,141,770	929,346	794,434
Excess of Liabilities Over Assets	1,512,576	1,301,228	1,116,629	909,583	782,009









Financial Statements

- *Balance Sheet*
- *Statement of Operations*
- *Statement of Sources and Applications of Funds*

Balance Sheet

(This financial statement is confined to showing only those assets and liabilities of the United States Government which are directly related to the cash operations of the Department of the Treasury and the rest of the Federal Government.)

	September 30, 1985	September 30, 1984
	(in millions)	
ASSETS		
Cash and Monetary Assets:		
U.S. Treasury Operating Cash:		
Federal Reserve Account	$4,174	$8,514
Treasury Tax and Loan Note Accounts	12,886	21,913
Special Drawing Rights	6,847	5,554
Less: Special Drawing Rights Certificates Issued to Federal Reserve Banks	4,618	4,618
Monetary Assets with International Monetary Fund	11,678	11,601
Other Cash and Monetary Assets:		
U.S. Treasury Monetary Assets	1,310	807
Cash and Other Assets held Outside the Treasury Account	7,558	6,740
Time Deposits Supported by 2% Depositary Bonds	4	2
Total Cash and Monetary Assets	39,839	50,512
Miscellaneous Asset Accounts	15,365	16,088
TOTAL ASSETS	55,204	66,600
EXCESS OF LIABILITIES OVER ASSETS		
Excess of Liabilities Over Assets at Beginning of Fiscal Year	1,301,228	1,116,629
Add: Budget Deficit for Fiscal Year	202,813	175,342
Deficit of Off-Budget Federal Entities for Fiscal Year	9,118	9,996
Subtotal	1,513,159	1,301,967
Deduct: Other Transactions not Applied to Surplus or Deficit	582	740
Excess of Liabilities Over Assets at Close of Fiscal Year	1,512,576	1,301,228
TOTAL ASSETS AND EXCESS OF LIABILITIES OVER ASSETS	1,567,780	1,367,827
LIABILITIES		
Borrowing from the Public:		
Public Debt Securities Outstanding	1,823,103	1,572,267
Agency Securities Outstanding	4,366	4,481
Total Federal Securities Outstanding	1,827,470	1,576,748
Deduct: Federal Securities held by Government Accounts	317,612	264,159
Total Borrowing from the Public	1,509,857	1,312,589
Accrued Interest Payable to the Public	26,709	27,359
Special Drawing Rights Allocated by International Monetary Fund	5,191	4,895
Deposit Fund Liabilities	14,385	12,292
Miscellaneous Liability Accounts (Checks Outstanding, Etc.)	11,639	10,693
TOTAL LIABILITIES	1,567,780	1,367,828

Details may not add to totals due to rounding.

Statement of Operations
(in Millions)

	Fiscal Year 1985	Fiscal Year 1984
BUDGET RECEIPTS		
Individual Income Taxes	$ 330,918	$ 295,955
Corporation Income Taxes	61,331	56,893
Social Insurance Taxes and Contributions:		
Employment Taxes and Contributions	238,288	212,184
Unemployment Insurance	25,758	25,138
Contributions for Other Insurance and Retirement	4,759	4,580
Excise Taxes	35,865	37,361
Estate and Gift Taxes	6,422	6,010
Customs Duties	12,079	11,370
Miscellaneous Receipts	18,576	16,965
Total Budget Receipts	733,996	666,457
BUDGET OUTLAYS		
Legislative Branch	1,610	1,579
The Judiciary	966	866
Executive Office of the President	111	95
Funds Appropriated to the President	11,277	8,481
Agriculture	49,596	37,426
Commerce	2,140	1,893
Defense—Military	244,054	220,838
Defense—Civil	18,844	19,544
Education	16,682	15,511
Energy	10,186	8,289
Health and Human Services	315,553	292,313
Housing and Urban Development	28,671	16,520
Interior	4,828	4,961
Justice	3,518	3,165
Labor	23,893	24,522
State	2,645	2,403
Transportation	25,087	23,956
Treasury	165,043	141,106
Environmental Protection Agency	4,511	4,057
General Services Administration	−214	192
National Aeronautics and Space Administration	7,318	7,048
Office of Personnel Management	23,727	22,590
Small Business Administration	283	255
Veterans Administration	26,333	25,593
Independent Agencies	9,121	10,946
Undistributed offsetting receipts	−58,973	−52,351
Total Budget Outlays	936,809	841,800
BUDGET DEFICIT	202,813	175,342
DEFICIT OF OFF-BUDGET FEDERAL ENTITIES		
Synthetic Fuels Corporation Fund	—	—
Federal Financing Bank	7,339	7,277
Postal Service	142	360
Rural Electrification and Telephone Revolving Fund	1	−1
Rural Telephone Bank	−8	45
Petroleum Acquisition and Transportation, Strategic Petroleum Reserve	1,621	2,329
U.S. Railway Association	22	−14
Total Deficit of Off-Budget Entities	9,118	9,996
Total Deficit	211,931	185,339
OTHER TRANSACTIONS NOT APPLIED TO CURRENT YEAR'S SURPLUS OR DEFICIT		
Seigniorage (Gain on Coin Production)	−516	−498
Profit on Sale of Gold	−67	−242
Total Other Transactions not Applied to Current Year's Surplus or Deficit	−582	−740

Details may not add to totals due to rounding.

Statement of Sources and Applications of Funds

(in Millions)

	Fiscal Year 1985	Fiscal Year 1984
SOURCES		
Increases in Liabilities:		
Borrowing from the Public	$ 197,269	$170,817
Accrued Interest Payable to the Public	-650	9,098
Deposit Fund Liabilities	2,093	1,930
Miscellaneous Liabilities (Checks Outstanding Etc.)	945	-1,124
Special Drawing Rights Allocated by International Monetary Fund	296	-283
Decreases in Assets:		
Other Cash and Monetary Assets:		
Other U.S. Treasury Monetary Assets	-504	789
Cash and Other Assets held Outside the Treasury Account	-820	340
Special Drawing Rights (SDRs)	-1,293	74
Less: SDR Certificates Issued to Federal Reserve Banks	—	—
Net Change, SDRs	-1,293	74
Other Transactions not Applied to Surplus or Deficit	582	740
Total Sources	197,919	182,382
APPLICATIONS		
Deficits:		
Budget Deficit	202,813	175,342
Deficit of Off-Budget Entities	9,118	9,996
Total Deficits	211,931	185,339
Increases in Assets		
U.S. Treasury Operating Cash:		
Federal Reserve Account	-4,340	-8,043
Tax and Loan Note Accounts	-9,027	1,413
Other Cash and Monetary Assets:		
Other U.S. Treasury Monetary Assets	—	—
Cash and Other Assets held Outside the Treasury Account	—	—
Special Drawing Rights (SDRs)	—	—
Less: SDR Certificates Issued to Federal Reserve Banks	—	—
Net Change, SDRs	—	—
Funds Available with International Monetary Fund	204	2,365
Loans to International Monetary Fund	-127	-167
Miscellaneous Assets	-722	1,476
Total Applications	197,919	182,382

Details may not add to totals due to rounding.

Notes to the Financial Statements

Notes to the Financial Statements

1. *Description of Accounts Related to Cash Operations*

The classes of accounts maintained in connection with the cash operations of the Government include:

- The accounts of fiscal officers or agents who receive money for deposit in the U.S. Treasury or for other authorized disposition or who make expenditures by drawing checks on the Treasury;
- The accounts of administrative agencies which classify receipt and outlay transactions according to the individual receipt, appropriation or fund account; and
- The accounts of the Treasury of the United States which office is responsible for the receipt and custody of money deposited by fiscal officers or agents.

A set of central accounts is maintained in the Department of the Treasury for the purpose of consolidating financial data reported periodically from these three sources in order to permit the results of cash operations in central financial reports, for the Government as a whole and as a means of internal control.

The central accounts relating to cash operations disclose monthly and fiscal year information on:

- The Government's receipts by principal sources, and its outlays according to the different appropriations and other funds involved; and
- The cash transactions, classified by type, together with certain directly related assets and liabilities which underlie such receipts and outlays.

Accounting for receipts is on the basis of collections; outlays of receipts are treated as deductions from gross receipts. Accounting for outlays is on the basis of checks issued and cash payments made (cash basis); revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays. The interest on the public debt, public issues, is recognized on the accrual basis however, the interest on special issues is on the cash basis. The structure of the accounts provides for a reconciliation, on a firm accounting basis, between the published reports of receipts and outlays for the Government as a whole and changes in the Treasury cash balance by means of such factors as checks outstanding, deposits in transit, and cash held outside the Treasury. Within the central accounts, receipts and outlay accounts are classified as:

- General fund receipt accounts;
- Special fund receipt accounts;
- General fund expenditure accounts;
- Special fund expenditure accounts;
- Revolving fund accounts;
- Consolidated working fund accounts;
- Management fund accounts;
- Trust fund accounts; and
- Transfer appropriation accounts.

These accounts are described in detail in the Annual Report Appendix.

2. *U.S. Treasury Operating Cash*

Major sources of information used to determine Treasury's operating cash include the Daily Balance Wires from the Federal Reserve Banks, reporting from the Bureau of the Public Debt, electronic transfers through the Treasury Financial Communications System and reconciling wires from Internal Revenue Service Centers. Operating cash is presented on a modified cash basis: deposits are reflected as received; and withdrawals are reflected as processed.

3. *Special Drawing Rights (SDRs)*

The Special Drawing Rights Act of 1968 and the Bretton Woods Agreements Act of 1945 authorize the United States to participate in the Special Drawing Rights Department of the International Monetary Fund and accept the resulting financial obligations in the Fund. The Special Drawing Rights Act provides the permanent authority for the United States to meet its financing requirements in connection with the acquisition and use of SDRs (which is the unit of account for Fund transactions), by the issuance of SDR certificates to Federal Reserve Banks.

4. *Miscellaneous Asset Accounts*

Included in miscellaneous assets are gold assets and their related certificates in the following amounts:

	FY 1985	FY 1984
Gold assets	11,089 million	$11,097 million
Liabilities (certificates)	11,089 million	$11,097 million

5. *Off-Budget Federal Entities*

These are federally owned and controlled entities whose transactions (e.g., budget authority or outlays) have been excluded from budget totals under provisions of law. The fiscal activities of these entities, therefore, are not reflected in either budget authority or outlay totals. However, the outlays of off-budget Federal entities are added to the budget deficit to derive the total Government deficit that has to be financed by borrowing from the public or by other means.

The cash transactions of the Synthetic Fuels Corporation net to zero in Fiscal Years 1983 and 1984. The deficit of the Rural Electrification and Telephone Revolving Fund amounted to less than $500,000.

6. *Other Transactions not Applied to Surplus or Deficit*

Seigniorage is the difference between the value of coins as money and their cost of production. Seigniorage on coins arises from the exercise of the Government's monetary powers and differs from receipts coming from the public, since there is no corresponding payment by another party. Therefore, seigniorage is excluded from receipts and treated as a means of financing a deficit or as a supplementary amount to be applied to reduce debt or to increase the cash in the Treasury in a year with a surplus.

Profit resulting from the sale of gold as a monetary asset is treated like seigniorage, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

7. *Federal Securities Outstanding*

These consist of public debt and agency debt and include all public and agency debt issues outstanding.

- Public Debt—That portion of the Federal debt incurred when the Treasury or the Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. To avoid double counting, FFB borrowing from the Treasury is not included in the public debt. (The Treasury borrowing required to obtain the money to lend to the FFB is already part of the public debt.)

- Agency Debt—That portion of the Federal debt incurred when a Federal agency, other than the Treasury or the Federal Financing Bank, is authorized by law to borrow funds directly from the public or another fund or account. To avoid double counting, agency borrowing from Treasury or the FFB and Federal

fund advances to trust funds are not included in the Federal debt. (The Treasury or FFB borrowing required to obtain the money to lend to the agency is already part of the public debt.) Agency debt may be incurred by agencies within the Federal budget (such as the Tennessee Valley Authority) or by off-budget Federal entitites (such as the Postal Service).

8. *Deposit Fund Liabilities*

These include certain accounts established to record amounts either (a) held in suspense temporarily and later refunded or paid upon administrative or legal determination as to proper disposition thereof, or (b) held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and payroll deductions for the purchase of savings bonds by civilian employees of the Government).

9. *Undistributed Offsetting Receipts*

These receipts are composed of the following types of payments:

- Payments to trust funds by Government agencies for their employees' retirement;
- Interest paid to trust funds on their investments in Government securities; and
- Proprietary receipts from rent royalties on the Outer Continental Shelf lands.

Undistributed offsetting receipts are not deducted from outlays at the function, subfunction and agency levels. However, they are deducted from the budget totals.

10. Where applicable, prior year amounts have been revised to reflect realignment to the current Budget of the U.S. Government.

Principal Administrative and Staff Officers of the Treasury

Secretary of the Treasury	James A. Baker, III
Deputy Secretary of the Treasury	Richard Darman
Under Secretary for Finance	George D. Gould
General Counsel	Robert M. Kimmitt
Inspector General	John C. Layton
Fiscal Assistant Secretary	Gerald Murphy (Acting)
Commissioner of Financial Management Service	William E. Douglas
Assistant Secretary for Management	John F.W. Rogers
Assistant Secretary for Office of Public Affairs and Public Liaisons	Margaret D. Tutwiler
Assistant Secretary for Domestic Finance	Charles O. Sethness
Assistant Secretary for Economic Policy	Manuel H. Johnson, Jr.
Assistant Secretary for Enforcement and Operations	David D. Queen
Comptroller of the Currency	H. Joe Selby (Acting)
Assistant Secretary for International Affairs	David C. Mulford
Assistant Secretary for Legislative Affairs	Bruce E. Thompson, Jr.
Assistant Secretary for Tax Policy	Ronald A. Pearlman
Commissioner of Internal Revenue	Roscoe L. Egger, Jr.
Treasurer of the United States	Katherine D. Ortega

ANNUAL REPORT APPENDIX
ORDER FORM

Detail pertaining to the information presented in this publication is contained in the U.S. Government Annual Report Appendix. The Appendix contains Summary General Ledger Account Balances, Details of Receipts and Details of Appropriations, Outlays, and Balances.

For a copy of the Appendix, mail this order form to:

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Treasury Annex No. 1
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